

## FTSE JSE Africa Index Series: Ground Rule Update

04 August 2022

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FTSE Russell would like to inform clients of the following Ground Rule update to the FTSE JSE Africa Index Series Ground Rules which is effective from the September 2022 index review.

### Section 4: Index Construction

#### New Rule

##### 4.3.5 Minimum free float

Companies will be eligible for index inclusion if their global free float is above 5%, notwithstanding new Inward Listings which will be considered for All Share Inclusion using a calculated SWIX free float as per Rule 4.3.7

##### 4.3.7 New and newly eligible Inward Foreign Listings

In order to be considered for index inclusion, new Inward Listings with a global free float greater than 5% and a SWIX investable market capitalisation less than 0.5% of the Small Cap Index on the review cut-off date will have their SWIX Free Float adjusted such that the SWIX investable market capitalisation equals to 0.5% of the Small Cap Index. This adjustment will only be done during the first year of listing and thereafter, the SWIX free float will be updated based on the actual Strate register number

#### Old Rule

##### 4.3.5 Minimum free float - 5% or less

Companies with a free float of 5% or below are excluded from the index, notwithstanding foreign companies which may be eligible under Rule 4.3.7.

##### 4.3.7 Foreign ownership limits

Foreign ownership limits, if any, will be applied after calculating the actual free float restriction, as detailed in Rule 4.3.5. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied. If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to Rule 4.3.5.

Any company classified as an inward-listed share by National Treasury on 24 October 2011 will have its free float adjusted to exclude non-South African shareholdings. Any share listed after 24 October 2011 that is classified as foreign, for index purposes, by the South African Reserve Bank will be treated in the same manner. In order to be considered eligible for index inclusion, all inward listings with a free float of 5% or less require an investable market capitalisation of 1% or more of the investable market capitalisation of the FTSE/JSE Mid Cap Index on the review cut

date. In the event that a non-constituent meets this criteria for the first time, that company's free float will be based solely on the share register at the month end prior to the Review Cut Date rather than a three month average basis. Inward listed companies with a free float of 5% or less that are existing constituents of the Index Series will be deleted if their investable market capitalisation falls below 0.5% of the FTSE/JSE Mid Cap Index.

## Appendix B: Methodology for Capping Indices

### Change in capping level for the following indices:

Index Code	Index Name	Based on	Capping Level
J141	Capped Shariah Top 40	Shariah Top 40	12%
J300	Capped Top 40	Top 40	12%
J303	Capped All Share	All Share	12%
J430	Capped Shareholder Weighted Top 40	Shareholder Weighted Top 40	12%
J433	Capped Shareholder Weighted All Share	Shareholder Weighted All Share	12%

### New Rule on Group Entity Capping

To meet the requirements for capping two entities together, on review cut date:

- Both Company A and its related Company B must be listed on the JSE and be constituents, or prospective review constituents, of the All Share index
- Consider the gross market capitalisation of Company A and the value of its holding in Company B at prevailing market prices and the current cross-holding percentage
- If the market value of Company A's holding in Company B is greater than 75% of the total gross market capitalisation of Company A, then both companies should be considered as a single entity for capping purposes in all Capped Indices in which both entities are constituents
- If the value of Company A's holding in Company B falls below 65% of Company A's total gross market capitalisation at a subsequent quarterly review, then the two entities will no longer be capped as one entity

Group Entity Capping applies to all indices that have a fixed capping level based on an underlying market capitalisation weighting or SWIX weighting. It does not apply to any equally weighted indices or any non-market capitalisation weighted indices.

An updated copy of the FTSE JSE Africa Index Series Ground Rules (Version 7.9) is now available from FTSE Russell: <mailto:info@ftserussell.com>

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